leading on investments and savings

Response by TISA to the

HMT & HMRC Consultation Paper:

Pensions Tax Relief - Individual Protection from the Lifetime Allowance Charge

September 2013

TISA has a growing membership of over 120 organisations interested in the UK market for retail financial services products, from Child Trust Funds, through Individual Savings Accounts to Pensions. We have Advisory Councils in Retirement Saving, Wraps and Distribution, whose observations and thinking have contributed to this response. We are distinguished by the very wide scope of our membership, from Banks, though Investment Houses and Life and Pension providers, to Distribution organisations and IFAs. We are not, therefore, restricted to representing a sector approach, but rather the views of a very broad church indeed. We also, as an organisation, start from the principle that what is good for the consumer must, in the long term, be good for the business of our membership.

CONSULTATION RESPONSE

TISA is pleased to have the opportunity to respond to this Consultation. Whilst we would not propose to respond in detail to all the consultation questions, we would wish to make the following observations.

- TISA welcomes these proposals because it is right and fair that individuals are offered greater flexibility to protect savings that may have already been built up prior to April 2014, from the Lifetime Allowance (LTA) charge. Many savers would have been caught in the LTA trap, following the Government's announcement to reduce the LTA to £1.25m, having already built up pension pots of around £1.5m.

- Although FP14 will be of benefit to some savers, the flexibility of IP14 will allow those wanting to remain active members of their schemes, the ability to make investment decisions needed to secure adequate benefits. It recognises the challenges some savers may face and will be useful in addition to FP12 and FP14. This is a positive step.

- TISA notes that further detail on how IP14 will be applied in cases of Pension Sharing and the treatment of the LTA tax charge on the Scheme or individuals is still awaited.

- The eligibility conditions for individuals seeking protection and the proposed calculations required, make the administrative processing a challenge. TISA recognises that members of a DB scheme might get better information and guidance than those saving in a DC arrangement. Savers in DC pensions will need good support from their advisers.

- DB Scheme Trustees and administrators may well build in checks and incorporate mailshots to notify savers of the importance of IP14, but those not covered by this oversight will be heavily dependent on proactive financial planners. Greater media coverage of the importance of protection should be expected prior to April 2014

- Many Pension Providers are still deciding how to administer and designing their processes – some clarity on the advisers, providers, administrator's roles and responsibilities would be helpful.

Summary

TISA supports the proposal that intends to protect savers from tax charges that would reduce vital savings built up to provide an income in retirement.

TISA also recognises the complexity and detailed nature of IP14 and associated pension legislation. The big challenge is whether the industry can cope with this complexity and whether savers might not fully understand the importance of the proposed changes to be incorporated in the Finance Bill 2014. Whilst the 3 year window to apply for protection is sensible, how can we ensure that groups of savers are not overlooked?

TISA awaits the final detailed rules to assess the size and likely impact on savers.